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SUBJECT: KAZAKHSTAN: CASPIAN SEA SUMMIT

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¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: On September 12, President Nazarbayev hosted the presidents of Russia, Azerbaijan, and Turkmenistan at a private resort in Kenderliy, south of the port city of Aktau in western Kazakhstan. According to press reports and interviews with government officials and resident diplomats, the presidents discussed economic, energy, environmental, and boundary issues. No documents were signed and no declaration was issued following the informal summit. The presidents stressed that they had not conferred on the delimitation of the Caspian Sea, and would not do so until all five Caspian littoral states, including Iran, have an opportunity to discuss the issue, possibly in Baku later this year. The meeting supposedly allowed Nazarbayev to play the role of gracious host and honest broker against the backdrop of tension between Turkmenistan and Russia over gas shipments, and between Turkmenistan and Azerbaijan over boundary issues. It also underscored Russia's continuing desire to influence economic and energy policy in the Caspian, particularly regarding the transportation of oil and gas. END SUMMARY.

AKTAU ATMOSPHERICS

¶3. (SBU) The September 12 informal summit brought together the presidents of Kazakhstan, Russia, Azerbaijan, and Turkmenistan in Kazakhstan for the first time, and the port city of Aktau was well dressed for the occasion. Several local residents told Energy Officer on September 13 that before the presidents' arrival, all of the city's roads had been resurfaced, new landscaping was installed, and dozens of billboards were erected to highlight Nazarbayev's steady leadership, promote the capital city of Astana, and welcome the distinguished visitors. Nazarbayev also opened a new airport terminal and trading center during his visit. For security reasons, the port of Aktau was closed for five days, while empty oil tankers waited offshore, unable to load their cargo. An American oil company executive based in Aktau told Energy Officer on September 13 that the local government commandeered vehicles -- and their drivers

-- from international companies working in Aktau to support the summit. "This was not a polite request," he said. "They basically ordered us to give up a couple cars for ten days, and they had our drivers on call the whole time, 24/7."

MEDVEDEV'S SPEECH SETS THE STAGE

¶4. (SBU) Russian President Medvedev set the stage for the Caspian Sea Summit with his August 17 speech in Astrakhan. In the speech, Medvedev acknowledged "the Caspian Sea's mineral resources enormous significance" to global energy security, but said Russia's main goal was "to preserve the Caspian Sea for future generations, not allowing it to be spoiled" by oil and gas exploration. Medvedev also called for "active talks" to define the legal status of the Caspian Sea, announced Russia's interest in developing Caspian maritime transportation infrastructure, endorsed the creation of the Caspian Sea Economic Cooperation Organization, and confirmed Russia's strong desire to convene a meeting of experts in Baku "to develop a pentilateral agreement on security cooperation in the Caspian Sea." The next day, the office of President Nazarbayev announced that Kazakhstan would host the leaders of Russia, Azerbaijan, and Turkmenistan at Kenderliy. The informal summit was on, and diplomats across the region hurriedly began to prepare their principals. During a September 10 reception in Astana, a Russian Embassy Political Officer told PolOff that his Embassy was essentially empty, with most staff in Aktau to prepare for the Caspian Sea Summit. The Russian Embassy also suspended non-emergency consular services, due to the deployment of the Consular Officer to Aktau.

HIGH-STAKES GAS GAMES AT ORENBURG

¶5. (SBU) On September 11, on the eve of the Caspian Sea Summit, Russian President Medvedev met President Nazarbayev in Orenburg for the sixth annual Russia-Kazakhstan Interregional Cooperation Forum.

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According to press reports, Medvedev and Nazarbayev discussed border security, immigration, and energy cooperation. Specifically, they spoke about oil and gas exploration in Kazakhstan, the transportation of oil and gas via Russia, and expansion of the combined heat and power plant Ekibastuz-2 in eastern Kazakhstan. On September 10, Todd Levy, General Director of Tengizchevroil (TCO), called Energy Officer to say that Russia had suddenly stopped receiving natural gas exports from Kazakhstan. As a result, TCO reduced its production of oil at Tengiz, and considered flaring natural gas far in excess of agreed-upon limits. Levy said that if gas flows to Russia did not resume quickly, TCO would have to severely curtail production, which could cost the company up to \$2 billion in lost revenue in 2009. Levy flew to Orenburg and raised the issue with Minister of Energy and Minister Resources Sauat Mynbayev, who discussed it with Gazprom CEO Alexei Miller. According to Levy, on September 11, Miller agreed to allow dry gas shipments from TCO to Russia to resume for six days, during which negotiations would continue on a long-term sales contract. (NOTE: TCO was expected to export up to five billion cubic meters of gas to Russia in 2009, through a 50-50 joint venture between KazRosGaz and Invest Gas Limited. TCO has not received confirmation that Invest Gas Limited has a permit for transportation via Russia. END NOTE).

WHAT WAS DISCUSSED AT AKTAU?

¶6. (SBU) Reports of what the presidents discussed and agreed during their informal summit are sketchy and speculative. On August 21, Campbell Keir, Country Manager for Shell Kazakhstan, told the Ambassador that he and other international energy executives had been summoned to Aktau to brief Nazarbayev on energy issues before the Caspian Sea Summit. However, days before the summit, Nazarbayev abruptly postponed the energy briefing until the end of September, leading Keir and others to speculate that the presidents would not be discussing oil and gas issues in great detail. Keir noted that the four presidents have much to talk about in addition to delimitation and oil transportation, including vessel flagging, sturgeon conservation, oil spill response, and leaking sunken ships in the Caspian.

LIMITED PRESS COVERAGE

¶7. (SBU) On September 12, the local newspaper in Aktau, "Mangistau Ogniy" (Fires of Mangistau), quoted Nazarbayev saying that "global and strategic issues" would not be discussed at the summit, since these would require the presence of all five Caspian littoral states, including Iran. "Nevertheless," said Nazarbayev, "our four countries have something to talk about" in an informal and relaxed setting. According to the article, Russian President Medvedev said, "although our economies are showing signs of growth, we should not become complacent. We all need to reconstruct our financial systems, and discuss solutions to achieve economic growth." Azeri President Aliyev confirmed that Azerbaijan would host the next Caspian summit in Baku and emphasized that all five Caspian states will be invited "to discuss global issues and take concrete decisions" about the status of the Caspian Sea. (NOTE: An accompanying photograph of the four presidents showed Medvedev and Nazarbayev smiling broadly and standing shoulder to shoulder, while Aliyev and Berdimukhamedov flank them awkwardly, some distance away. The paper also published full-page profiles of Kazakhstan's relations with Russia ("Friendship Forever"), Azerbaijan ("Country of Fire"), and Turkmenistan ("The Dialogue Continues"). END NOTE).

EVEN INSIDERS WERE ON THE OUTSIDE LOOKING IN

¶8. (SBU) On September 15, a senior political advisor to the governor of Mangistau oblast told the Ambassador that the Caspian Sea Summit was poorly organized and "improvised." He said the agenda was "not well prepared" and confirmed that no documents were signed during the Summit. He also said that President Nazarbayev traveled to Turkmenbashi, Turkmenistan, on September 13 with Russian President Medvedev. An Azeri diplomat in Astana told Energy Officer on September 15 that, while he had no first-hand knowledge of what

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was discussed at the summit, he understood that the presidents discussed oil and gas transportation, as well as the delimitation of the Caspian Sea. He speculated that the presidents wanted to "define a common position" on the issue, before all five Caspian Sea littoral states convene in Baku, "later this year."

IRAN IRATE

¶9. (SBU) On September 9, in a meeting with Kazakhstan's new ambassador to Iran, Iranian Foreign Minister Manuchehr Mottaki said that the informal Caspian Sea Summit "runs contrary to Iran's national interests." According to wire reports, he said the meeting "violates previous agreements, in which the five Caspian littoral states came to the understanding that any decision on the waterway should be made with the participation of all its neighboring countries." Following the summit, the presidents of Russia, Kazakhstan, Azerbaijan, and Turkmenistan all issued similar statements, confirming that the status of the Caspian Sea could only be determined with the presence and participation of all five Caspian littoral countries. According to Interfax, Medvedev said, "I believe that resolution of the Caspian issue requires serious discussion among all of the states that border the Caspian." He added that such a discussion would take place in the near future, in Baku.

¶10. (SBU) COMMENT: Hosting the summit showed Kazakhstan's interest, desire, and willingness to play the role of facilitator, honest broker, and balancer of interests among the other countries in the region. The summit also revealed Russia's continued desire to influence the policies of the other former Soviet states in the region, in order to maintain Russian control over the transportation of oil and gas from the Caspian. We have no way of knowing if Russia used the summit to exert direct pressure on the other countries to cease specific projects such as the Kazakhstan Caspian Transportation System, but it the summit did provide Medvedev an opportunity, in a relaxed setting "among friends," to lobby for increased oil and gas shipments through Russia. END COMMENT.

HOAGLAND